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Kenya

Retail Food Sector

Kenya's Retail Sector Update

2008

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Report Highlights:

Kenyan imports of U.S. consumer-oriented food products reached a record US \$ 16 million in 2007, and are forecast at \$ 20 million in 2009. Best prospects for U.S. food products include snack foods, processed fruit and vegetables, prepared canned foods, and mayonnaise.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Nairobi [KE1]
[KE]

Section I. Market Overview

A. Economic Trends

KENYA ECONOMIC TRENDS	Actual				Estimate	Forecast
	2004	2005	2006	2007	2008	2009
Economic Trends						
Total GDP (US \$ Billion)	16	19	22	27	24	28
GDP per capita (US\$)	470	535	622	724	700	730
GDP growth rate (%)	5.1	5.7	6.4	7	4.5	7
Inflation (%)	11.62	10.31	14.45	11	27	15
Unemployment rate (%)	30	30	35	40	45	44
Exchange Rate (Kshs/US\$)	79.28	75.55	72.1	67.32	71	67
Agricultural Products Imports						
Total Agricultural Imports (\$000s)	250,000	298,775	399,810	524,107	700,000	725,000
Total U.S. Agricultural, Fish, Forestry (US\$ 000s)	36,979	31,414	77,620	77,358	80,000	82,000
Total U.S. Food Aid	34,769	27,883	67,058	62,635	62,000	62,000
Consumer-Oriented Agricultural Products Imports						
Total (\$000s)	61,140	67,534	98,906	110,819	115,000	120,000
South Africa	9,840	12,823	16,392	18,401	20,000	21,000
United States	11,774	5,943	16,162	16,514	18,000	20,000
The Netherlands	7,061	11,488	13,098	13,814	15,000	16,000
UK	9,321	6,843	9,280	8,440	10,000	10,000
Italy	2,528	6,069	8,621	8,791	10,000	10,000

Sources: BICO, GTA, Central Bureau of Statistics (Kenya's Ministry of Planning & National Development)

B. Retail Trends

Outlet Types	2007 (Actual)	2008 (Estimate)	2009 (Forecast)
Hypermarkets	17	20	24
Supermarkets	494	593	711
Mini-market (Superettes)	809	971	1,165
Petrol Stations Convenience Stores	406	487	585
Traditional shops/Dukas	101,946	91,751	82,576
Unbranded Kiosks	57,383	51,645	46,481
Branded Kiosks	4,394	3955	3560
Confectionary/Candy Shop	586	527	474
Wines & Spirits	2,319	2087	1878
Restaurants	4,706	4235	3812
Total	173,060	152,036	137,454

Source: Research International, East Africa Ltd (Kenya)

C. Hypermarkets and Supermarkets - Company Profiles

Retailer Type and Outlet Type	Ownership	Annual Sales (2007)	No. of Outlets	Locations (No. of outlets)	Purchasing Agent Type
Nakumatt Holdings Ltd. Supermarkets and Hypermarkets Established 1985.	Local (family – business)	US\$350 million	20 Plans underway to open 10 more outlets in Kenya, 1 more in Rwanda, 4 in Tanzania, and 3 in Uganda.	Nairobi (10) Mombasa (3) Eldoret (1) Kisumu (2) Meru (1) Eldoret (1) Kisii (1) Kigali, Rwanda- (1)	Directly from local manufacturers and agents/importers 60:40 ratios of local and imported products sold.
Tusker Mattresses Ltd. Supermarkets (Tuskys) Established 1989	Local (family-owned)	US\$193 million	12	Nairobi (7) Eldoret (1) Nakuru (1) Athi River (1) Ongata Rongai (1) Thika (1)	Directly from local suppliers and importers. 70:30 ratios of local and imported products.
Uchumi Supermarkets and Hypermarkets Established 1975	Local (Public Company – that was listed in the Nairobi Stock Exchange): currently under receivership.	US\$104 million	15	Nairobi (10 outlets) Eldoret (1) Meru (1) Karatina (1) Kampala – Uganda (1: opened in Dec. 2002)	Directly from local manufacturers, agents and importers. 85: 15 ratios in favor of local supplies versus imports.
Ukwala Supermarket chains Established 1995	Local (family-owned)	US\$120 million	12	Nairobi (5) Kisumu (2)** Eldoret (3) Nakuru (1) Kericho (1) **one store in Kisumu totally burnt down and the other one looted by about 70% of the stock during the post election violence	Directly from local suppliers.
Naivasha Self Service	Local (family-	US\$64 million	7	Nairobi (2) Eldoret (1)	Directly from local suppliers.

Stores Ltd. (Naivas) Supermarkets	owned)			Embu (1) Machakos (1) Naivasha (2)	
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D. Convenience Stores – Company Profiles

Retailer Name and Market Type	Ownership	No. of Outlets	Locations	Purchasing Agent Type
Chandarana Supermarkets (Independent Stores)	Local (family-owned)	4	All within Nairobi (Yaya Center, ABC Place, Highridge and Muthaiga)	Directly from local suppliers.
Other independent stores and mini-supermarkets	Local	1-3 outlets per store	Nairobi and small trading centers at the outskirts of main town centers.	Directly from local suppliers.
Convenient stores/gas marts	Multi-national Oil Companies (Oil Libya, Caltex, Shell/BP, Total) Kobil – Local	406	Gas stations in the all urban and town centers.	Directly from local suppliers.

With a population of more than 38 million people, Kenya is the largest import market for food and agricultural products in East Africa region. Kenyan imports of agricultural, fish, and forest products were valued at \$524 million in 2007, and are projected at \$725 million in 2009. Imports of consumer-oriented food products are now estimated at \$115 million. U.S. exports of consumer-oriented food products to Kenya reached a record \$16 million in 2007, and are forecast at \$20 million in 2009. These figures do include some food assistance provided by the United States.

The retail food sector in Kenya is the most modern in East Africa, with estimated sales of \$1.8 billion. It consists of hyper/supermarkets, traditional shops, branded and unbranded kiosks, convenience stores, etc. The most important segments are:

Hypermarket chains: above 50,000 square feet of selling space; stocking all products and having shop-within-a shop concept.

Supermarket chains: 15,000–50,000 square feet of selling space; stocking 70 percent of products found in the hypermarket.

Convenience Stores: less than 15,000 square feet of selling space; only essential products are stocked

Kenyan hyper/supermarkets are the most advanced within East Africa and four major companies (Nakumatt, Tuskys, Uchumi, and Ukwala) account for 80 percent of the total

supermarket market share. One of these chains is expanding in Rwanda, Tanzania, and Uganda. In addition, these modern supermarkets continue to play an important role in transforming Kenya's food distribution system and buying habits by offering high-quality services such as pharmacies, bookstores, banking services, delicatessens, and fresh produce section, bakeries, and even in-store restaurants (*shop-within-a shop concept*).

There are more than 170,000 food retail outlets in Kenya. The number of new food retail outlets is expected to grow 20 percent annually over the next few years, with most of the growth occurring in the formal segment (hyper/supermarket, mini-market, and petrol stations/convenience stores) of the sector. Among other factors contributing to the opening of new outlets are a growing middle class (5-10 percent of the population) and a large urban population.

Advantages and Challenges Facing U.S. products in the Kenyan market

Advantages	Challenges/Opportunities
38 million Kenyans Large expatriate community and 5-10 percent of total population can repeatedly afford to buy imported products.	Limited purchasing power in small cities and rural areas.
Government of Kenya's (GOK) limited efforts to improve the country's business environment. For example, reduction of the import declaration forms to a single entry document and on-going business licensing reforms.	All imported products are required to have received a certificate of conformity (CoC) issued by SGS before shipment. Kenya Bureau of Standards (KEBS) proposal to introduce the Import Standardization Mark (ISM), if implemented, will cost time and money.
Kenyan consumers view U.S. products as high quality. Some U.S. brands (Hershey's, Post and Kraft Foods) are well known in the market.	Many U.S. exporters lack sufficient information regarding the Kenyan market.
New supermarkets are opening in Kenya and other countries in East Africa.	Some freight consolidators in the United States are unwilling to meet shipping requirements of Kenyan importers/Government.
	Limited number of importers. We understand there are only seven key importers of food products.
	Competition from other countries and locally produced products.

Section II. Road Map to Entry

A. Supermarkets and Hypermarkets

Entry Strategy

Direct importation from the United States is limited. Most importers source U.S. products from consolidators in the United Arab Emirates (Dubai), Europe and South Africa. Product representation and personal contacts are crucial for effective market coverage. This can be achieved through one or a combination of the following:

- Establishing a local distributor or representative;
- Selling through an agent or distributor;
- Joint ventures with established outlets; and
- Exposing the local industry (importers) to the U.S. market through trade shows and/or missions to help build business relationships with U.S. exporters.

Distribution channel

Kenya's food wholesaling and distribution is relatively simple and direct. Importing companies or agents sell products directly to the supermarkets and/or through appointed distributors/wholesalers. Distributors do not conduct promotional activities, unlike local manufacturers.

B. Convenience Stores

Convenience stores and gas marts sell a limited range of products including imported candies and other snack foods purchased from local distributors. In general, prices are higher than in the supermarkets and available products are limited. Most of the gas marts also offer fast-food service.

C. Traditional Markets

Traditional markets are characterized by small retail shops located mainly by the roadside, residential areas, places of work, and rural town centers. Street hawking also falls under this category. These shops commonly sell locally manufactured food and beverages, fresh fruits and vegetables, and grains.

Section III. Competition

- The local food industry supplies most of the products that dominate the market (bakery goods, fruit juices, snack foods, dairy products, meats, soft drinks, mineral water, beer, fresh fruits, and vegetables etc.).
- The European Union (largely, the United Kingdom and Italy) is the biggest supplier of imported products, followed by the Middle East, and South Africa.
- Multinationals like Unilever, Nestle, Cadbury, Proctor and Gamble (no longer manufacturing but a distribution center now), Cadbury, Best Foods (formerly CPC Ltd.) have processing plants in the country.
- Among the sectors that have expanded rapidly are snack foods, soups and sauces, canned foods (corned beef, tuna Fish, beans, jams and marmalades, cherries, peanut butter), dairy products (cheese and powdered milk), fruits and fruit juices, salad dressings, vegetable oils, pet foods, health, and functional foods.

- The wine market is dominated by brands from South Africa, Italy, France, Germany, Spain, and Hungary.

Section IV. Best Product Prospects

A: Products present in the market, which have Good Sales Potential

- Sauces and soups
- Salad dressings and vegetable oils
- Bread spreads like peanut butter, jams and marmalades
- Confectionery products
- Snack foods
- Nuts
- Infant foods
- Cake mixes
- Pet foods

B. Products Not Present in Significant Quantities but Which Have Good Sales Potential

- Breakfast cereals (the dominant brand is Kellogg's imported from the UK)
- Dairy products-cheese and powdered milk (from New Zealand, and EU),
- Pet foods (from UK and the local manufacturers)
- Confections
- Fruit Juices; supply is inconsistent and the local production does not meet the demand. The imported juice is mainly from South Africa, UAE and Europe.
- Infant foods
- Mixed nuts
- Snack foods
- Wines
- Canned foods
- Health and functional foods
- Popcorn
- Almonds

C: Products not Present Because They Face Significant Barriers.

- Meat and poultry and related products
- Beans
- Lentils

Section V. Other Relevant Reports

[Exporter Guide](#)

[Country FAIRS Report](#)

[Export Certificate Report](#)

Section VI. Post Contact and Further Information

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